

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 NEA-09 ISO-00 TRSE-00 SP-02 AID-05

EB-07 NSC-05 CIEP-01 STR-01 OMB-01 CEA-01 CIAE-00

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SIL-01 L-02 H-01 /083 W

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R 110612Z FEB 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2206

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L KUWAIT 0673

DEPT FOR UNDERSECRETARY ROBINSON

DEPT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, EAID, PFOR, KU

SUBJECT: IMPLICATIONS OF KUWAIT'S LONG TERM FINANCIAL SUR-
PLUS

REF: (A) TEHRAN 765 (B) TEHRAN 1248

1. REFTELS REPORTED ON INDICATIONS OF SLOWER PACE OF NEW IRANIAN
LENDING COMMITMENTS ABROAD IN LIGHT OF PROJECTED DISAPPEARANCE
OF IRANIAN CAPITAL SURPLUS OVER NEXT FEW YEARS. OTHER STUDIES
WE HAVE SEEN INDICATE THAT OTHER MAJOR OPEC PRODUCERS WILL SOON
BE IN EQUILIBRIUM OR NET CAPITAL IMPORTERS. IT SEEMS TO US THAT
IF ONE LOOKS BEYOND THE NEXT FEW YEARS KUWAIT IS LIKELY TO REMAIN
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ONE OF THE FEW OPEC COUNTRIES TO BE A SIGNIFICANT NET CAPITAL

EXPORTER. ITS VERY LARGE OIL RESERVES AND THE FACT THAT IT WILL REMAIN A MAJOR PRODUCER FOR MANY YEARS TO COME INDICATES THAT OVER THE LONG TERM IT IS LIKELY TO BE SECOND ONLY TO SAUDI ARABIA (AND, POSSIBLY, IRAQ) AS A FINANCIAL POWER AMONG OPEC AND ARAB COUNTRIES.

2. WE BELIEVE THE SIGNIFICANCE OF THIS IS THAT AS OTHER OPEC COUNTRIES FINANCIAL SURPLUSES DWINDLE, ATTENTION IN CONNECTION WITH INTERNATIONAL AID, INVESTMENT AND OTHER MATTERS WILL FOCUS EVEN MORE THAN NOW ON KUWAIT (AND OF COURSE SAUDI ARABIA). WE BELIEVE THIS POINT SHOULD BE KEPT IN MIND IN ANY POLICY DISCUSSIONS ON SUCH MATTERS THAT MAY BE UNDERWAY AND IN LOOKING AT US-KUWAIT RELATIONS OVER THE LONG TERM.
STOLTZFUS

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